

ORIGINAL

**SOUTHWESTERN UTILITY  
MANAGEMENT, INC.**

WATER UTILITY MANAGEMENT

TELEPHONE: (520) 624-1460

FAX: (520) 792-0377

E-MAIL: Email: [pjuhl@southwesternutility.com](mailto:pjuhl@southwesternutility.com)

WEB - [www.southwesternutility.com](http://www.southwesternutility.com)



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AZ CORP COMMISSION  
DOCKET CONTROL

LOCATION:  
2015 N FORBES BLVD, SUITE 107  
TUCSON, AZ 85745



MAILING ADDRESS:  
P.O. BOX 85160  
TUCSON, AZ 85754

August 10, 2015

Arizona Corporation Commission

**DOCKETED**

**AUG 13 2015**

Arizona Corporation Commission  
Docket Control  
1200 West Washington Street  
Phoenix, AZ 85007-2927

DOCKETED BY	<i>MLB</i>
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RE: Docket No. W-00000C-15-0250

In response to the above referenced Docket, Southwestern Utility Management Inc. ("Southwestern") mailed comments to the Director of the Utilities Division instead of Docket Control on July 30, 2015. Since the comments do not appear on eDocket, we are asking for this copy to suffice until the original copy mailed to the Utilities Division is located. We apologize for the inconvenience and request this late filing be accepted.

In addition, the address listed for me on the service listing for this Docket is incorrect. Please correct the service list for all the water utilities listed under my name and Southwestern as:

PO Box 85160  
Tucson, AZ 85754

If you have any questions, please don't hesitate to contact me at the phone number or email address listed.

Sincerely,

Paul Juhl  
Office Manager

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MANAGEMENT, INC.**

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TELEPHONE: (520) 624-1460

FAX: (520) 792-0377

E-MAIL: Email: [boconnor@southwesternutility.com](mailto:boconnor@southwesternutility.com)

WEB - [www.southwesternutility.com](http://www.southwesternutility.com)

COPY



MAILING ADDRESS:  
P.O. BOX 85160  
TUCSON, AZ 85754

LOCATION:  
2015 N FORBES BLVD, SUITE 107  
TUCSON, AZ 85745

July 30, 2015

Steve Olea  
Director, Utilities Division  
Arizona Corporation Commission  
Docket Control  
1200 West Washington Street  
Phoenix, Arizona 85007-2927

Re: Docket #W-00000C-15-0250

Please be advised that we would like to comment on the notice we received via a third party in an email with regard to the Small Water Systems Fund ("SWSF"), Docket #W-00000C-15-0250.

We are not sure we agree that a general fund is the best solution going forward for small water companies, but we understand why most would think this is a good idea, and it very well may be. However, many factors need to be considered, as well as other alternatives to a general "fund".

It is true that many small, investor owned utilities suffer from financial hardship on a regular basis, and are more or less just surviving. Our opinion is that this problem is best solved by placing appropriate rates in place for each company that experiences this problem.

Many Domestic Water Improvement District's ("DWIDs") in Arizona have a separate charge amount on the bill that enables them to build a fund for the very circumstances this new rule serves to address. The Arizona Corporation Commission ("ACC") rules and regulations do not allow for a charge of this nature, but that would be fairer and far more simple a rule change than establishing a fund that would incur higher costs for oversight, decisions, and maintenance by an outside entity.

Arizona Corporation Commission (continued)  
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Docket Control  
1200 West Washington Street  
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Re: Docket #W-00000C-15-0250

We are also of the opinion that it would not be fair to apply a fee to every water customer in Arizona, i.e. a universal service fee, but would be fairer to evaluate the issues on a case by case basis at which time this mechanism would be put into place to address the issues for struggling companies individually.

We agree that some sort of process or mechanism is needed strictly to address the small water systems across Arizona. We manage more than 30 small water systems that face extreme hardships when repairs and/or maintenance is necessary to supply safe and reliable drinking water to their customers.

We do have a concern, however, that this fund would only be made available to water systems serving no more than 500 connections and that are being managed/operated by interim managers or operators as appointed by the Commission. We feel strongly that this type of fund or assessment would be beneficial to all small water companies.

We have been in the water management business for over 25 years and have found that all small struggling water companies have no excess revenue to even pay their regular bills, let alone have revenue for improvements or upgrades to its infrastructure.

It would seem to us that if we can get away with "taxing" the ratepayers for phone service in rural areas, then the water utility Repair & Replacement ("R&R") surcharge should be implemented fairly easily with a rule change.

DWIDs are able put this type of surcharge in place and once they have a sufficient reserve, it can be discontinued. We think that is genius. That is how the regulated utilities should work but the current rules prevent it. Just stop and think about if all the small water companies had a \$1 R&R surcharge all these years, they would have a substantial reserve, or at minimum a better functioning water system. To us that seems to be the most efficient route; change the rule to allow for an R&R surcharge that goes into a fund to be used for only specific purposes. We think we would like to keep the management of the utilities in the hands of management and ownership and try to steer away from the additional regulation by outside entities. Since the regulated companies are already under the jurisdiction of the ACC they would be reviewed on a yearly basis via the required annual reports.

We believe that we are looking at a crisis as many rural water utilities infrastructure becomes inoperable, inefficient or inadequate as the water system ages in rural Arizona are nearing or at 40 to 50 years plus.

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Making monies available to all small water companies via a surcharge strictly for R&R costs to improve their water systems to meet today's standards is very important. This would achieve four things at once. First, improvements will alleviate or greatly lessen system wide water loss. Second, upgrades and improvements will allow for a more reliable and safe water source. Third, improvements to infrastructure will bring the systems up to today's standards, and fourth, rate shock will be reduced as well as the need for numerous and costly rate cases.

We believe that it would not be prudent to assess all water utilities fees for a fund regardless of their size, but should be addressed on a case by case basis at the time of an application. At that time an "R&R" surcharge could be put into place to address major line breaks or well outages, much like the R&R fund required by the Water Infrastructure Finance Authority of Arizona ("WIFA") and which would be allowed to be accessed only for those sort of issues.

So in conclusion:

Sufficient rates to cover operating expenses during a rate case should be provided, taking conservation rates into consideration.

A rule change to allow implementation of an R&R surcharge in a rate case that will establish and maintenance of a fund for each utility separately.

The R&R surcharge would be a specific line item on the ratepayers' bill and could be discontinued when the fund reaches a certain balance similar to how a DWID operates.

The process for obtaining funds would be straightforward and quick with minimal regulatory intervention needed.

Thank you for the opportunity to give our input concerning this issue.

Regards,

Bonnie O'Connor, President.